

CPP ANNUAL USE OF CAPITAL SURVEY - 2011



NAME OF INSTITUTION

(Include Holding Company Where Applicable)

Country Bank Shares, Inc.

Point of Contact:	Gerry Dunlap	RSSD: (For Bank Holding Companies)	1416831
UST Sequence Number:	467	Docket Number: (For Thrift Holding Companies)	
CPP/CDCI Funds Received:	7,525,000	FDIC Certificate Number: (For Depository Institutions)	16810
CPP/CDCI Funds Repaid to Date:		Credit Union Charter Number: (For Credit Unions)	
Date Funded (first funding):	January 30, 2009	City:	Milford
Date Repaid ¹ :	None	State:	Nebraska

¹If repayment was incremental, please enter the most recent repayment date.

American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP) and Community Development Capital Initiative (CDCI). To answer that question, Treasury is seeking responses that describe generally how the CPP/CDCI investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP/CDCI investment was deployed or how many CPP/CDCI dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.

What specific ways did your institution utilize CPP/CDCI capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP/CDCI funds were outstanding).

☒ **Increase lending or reduce lending less than otherwise would have occurred.**

The institution purchased \$57,000,000 in Student Loans initially and now holds \$63,200,000 in Student Loans. Prior to receiving TARP funding the Bank owned \$8,000,000. The reduction in Student Loans occurred because of pressure from the FDIC and reduction in available Private Student Loans.

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☒ **To the extent the funds supported increased lending, please describe the major type of loans, if possible (residential mortgage loans, commercial mortgage loans, small business loans, etc.).**

Although initially the Bank planned to move out of Student Loans and into other types of loans, the demand for new loans has faltered. The Bank has experienced pay downs in agriculture loans due to the strong profits in that area.

☒ **Increase securities purchased (ABS, MBS, etc.).**

Most recently the Bank has purchased Municipal Bonds to replace loans.

☐ **Make other investments.**

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☐ Increase reserves for non-performing assets.

☒ Reduce borrowings.

\$2,525,000 of TARP funding was used to pay principal and interest on Holding Company Debt.

☐ Increase charge-offs.

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☒ **Purchase another financial institution or purchase assets from another financial institution.**

The Holding Company debt serviced by TARP Funding was incurred to purchase Kearney State Bank, Kearney, Nebraska, prior to TARP Funding.

☐ **Held as non-leveraged increase to total capital.**

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What actions were you able to avoid because of the capital infusion of CPP/CDCI funds?

TARP Funding and the leveraging of those funds helped the Bank grow the Total Risk Capital Ratio to 12% as required by Regulators.

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What actions were you able to take that you may not have taken without the capital infusion of CPP/CDCI funds?

See Above.

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Please describe any other actions that you were able to undertake with the capital infusion of CPP/CDCI funds.

None.